INSIGHTS

108th Congress

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INSIGHTS is prepared expressly for the Department of Energy's Office of Federal Energy Management Programs (FEMP). The purpose of ***INSIGHTS*** is to provide FEMP management staff with timely information on legislative activities relevant to the program. ***INSIGHTS*** is prepared for FEMP by Energetics, Incorporated, (202) 479-2748.

I. WEEKLY SUMMARY

CONGRESSIONAL SCHEDULE

House

This week, no House activities of interest have been scheduled.

Senate

This week, Senate activities include the following topics of interest:

- Subcommittee on Agriculture, Committee on Appropriations will hold a hearing on a proposal to eliminate the Value-added Development Grants Program that provides loans and loan guarantees for renewable energy and energy efficiency improvements

- Committee on Agriculture will hold a hearing to examine the Department of Agriculture's implementation of the 2002 Farm Bill which includes discussion of the Value-added Development Grants Program that provides loans and loan guarantees for renewable energy and energy efficiency improvements

CONFERENCE COMMITTEES/VOTES

No negotiations or votes of interest have been announced.

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II. COMMITTEE ACTIVITY

HOUSE

Legislation

Base Realignment and Closure Act (BRAC) On May 9, the Subcommittee on Readiness (Committee on Appropriations) approved an amendment to the *FY 2004 Defense Authorization* bill, *H.R. 1588*, to stop the next round of base closures scheduled for 2005. Some members believe that while the BRAC process is a useful means of managing government property that is no longer essential to the military, the cost to administer the program may not be practical at this time. The members proposed a two or more year delay in future base closures.

SENATE

Comprehensive Energy Legislation Due to pending higher priorities, such as a proposed tax cut, the Senate is expected to delay resuming debate on energy legislation (*S. 14 – Energy Policy Act of 2003*) until next week, at the earliest. During the next several weeks, reportedly over 200 amendments, many of which are controversial, will be introduced for consideration on the Senate floor. Controversial

amendments are expected to include provisions directing utilities to acquire a percentage of power from renewable resources, increasing Corporate Average Fuel Economy Standards, restructuring of the electric utility industry, enhancing the Federal climate change program, and reformulated gasoline. The Committee on Finance, which drafted language dealing with tax incentives, has reportedly asked that that section be considered last. The Senate began consideration of the bill last week, but reported very little progress due to a delay in the printing of the committee report.

Meanwhile, the Congressional Budget Office (CBO) issued its "scoring" of the Senate bill The scoring, or projected cost estimates for implementation of the bill would be $3.7 billion in FY 2004, $40.3 billion over five years, and $42.6 billion over the next ten years; CBO also projects an increase in Federal revenues of $75 million in FY 2004 and $820 million between FY 2004 and FY 2013. Provided below are CBO's projections regarding provisions of interest to *INSIGHTS* readers.

Energy Conservation at Federal Agencies *S. 14* would amend several energy conservation goals and requirements that apply to the Federal Government. Most of those goals, such as reducing energy use by 2 percent per year relative to 2000 consumption and purchasing energy-efficient products when economical, are being done under current executive orders. Where practical, the bill would require that hourly electricity meters be installed at all Federal buildings by 2010. Such meters would provide data at least once daily and measure hourly consumption of electricity. The data would be available to facility energy managers.

Based on information from the DOE, we assume that it would only be economical to meter 20 percent of the government's inventory of 500,000 buildings and that installing meters would cost, on average, $4,000 per building. We assume that meters would be installed in 20,000 buildings per year until 2008, when the project would be complete. Thus, we estimate that implementing the metering provisions of *S. 14* would cost $80 million in 2004 and $400 million over the next five years.

Based on experience in the private sector, metering the hourly electricity use of buildings can lead to reduced energy consumption and reduce costs enough to recoup the cost of installing meters within two to four years. It is possible that this requirement could lead to a future reduction in appropriations for Federal building energy use, but any such savings would depend on how metering information is used by Federal agencies. Additionally, metering can reveal where energy use is high, but capital investment and other changes in how federal buildings consume energy would likely be needed to achieve savings. In any case, any savings are not likely to be significant over the next five years because most of the new metering and required capital investment would not be completed until the end of that period or after 2008.

Direct Spending and Revenues *S. 14* contains several provisions that would affect direct spending and revenues. The bill would expand and provide permanent authorization for the use of Federal energy savings performance contracts (ESPCs), establish an organization to manage the reliability of the nation's electricity system, make changes to programs to develop Federally owned oil and natural gas, and modify a requirement that DOE sell certain uranium products in 2003.

The budget-year and 10-year costs of these provisions are shown in Table 3. Overall, CBO estimates that enacting S. 14 would increase directing spending by $94 million in 2003, $212 million in 2004, and $5.1 billion over the 2004-2013 period. We estimate that enacting the bill would increase revenues by $75 million in 2004 and by $820 million over the 2004-2013 period. In addition, we estimate that new civil penalties imposed by the bill would result in an increase in revenues of less than $500,000 annually.

Energy Savings Performance Contracts Section 604 of *S. 14* would provide permanent authorization to use ESPCs and would expand their use under two new programs. Under one program, agencies would be allowed to use an ESPC to construct replacement buildings by committing to pay private contractors a portion of the budget savings expected from reduced operations, maintenance, and energy costs at such new buildings. Under a second program, agencies would be authorized to use ESPCs to obtain energy-efficient vehicles. CBO estimates that these provisions would cost $105 million in 2004, $1.7 billion over the 2004-2008 period, and $3.8 billion over the next 10 years.

CHANGES IN DIRECT SPENDING

Energy Savings Performance Contracts											
Estimated Budget Authority	0	210	374	512	549	386	359	361	434	436	508
Estimated Outlays	0	105	240	369	470	476	429	404	404	439	465

Permanent Authorization of ESPCs Currently, Federal agencies can enter into an ESPC, a specific type of long-term contract, for the purchase of energy-efficiency equipment, such as new windows and lighting. Using such equipment can reduce the energy costs for a facility. When using an ESPC, the savings from reduced energy bills are used to pay for the purchase of the new equipment over several years. The commitment to make such payments is made when the ESPC is entered into. Thus, consistent with governmentwide accounting principles, CBO believes that the budget should reflect that commitment as new obligations at the time that an ESPC is signed. Currently, agencies can use ESPCs to purchase new equipment over a 25-year period without an appropriation for the full amount of the purchase price.

Since 1988, DOE estimates that agencies have entered into ESPCs valued over $800 million. CBO estimates that, because the Federal building inventory is aging, those contracts would continue to be used over time at roughly the same rate currently used--$75 million in 2004 and increasing after that. Thus, we estimate that extending the authorization for ESPCs would increase direct spending by about $64 million in 2004 and $1.1 billion over the 2004-2013 period.

Expanded Use of ESPCs for Construction of Buildings *S. 14* would expand the use of such contracts to cover the purchase of a new building if the cost of the new building is less than the present value of estimated savings from lower costs of operations, maintenance, and energy consumption. A November 2000 report from the General Services Administration's Office of the Inspector General estimates that it would take several billion dollars to bring the Federal building inventory up to appropriate operations, maintenance, and energy efficiency standards. Thus, we assume that the opportunity for cost savings that could be generated from reduced operations, maintenance, and energy expenses at new buildings would be significant. We expect that the new authority provided by the bill would be used only in a few cases in the first few years but that, as buildings continue to deteriorate and requirements for energy efficiency continue to increase, the authority would be used at an increasing rate.

DOE has plans to use the new authority under this provision to build a new facility in New Mexico, at an estimated cost of $35 million. While the precise number of new facilities planned for construction that could qualify for funding under the authority that would be provided by the bill cannot be determined at this time, CBO estimates that this new authority would be used at least 15 times over the next five years at an estimated cost of $11 million in 2004 and $400 million over the 2004-2008 period. We expect that the use of the funding mechanism would grow after 2008 and that total spending over the 2004-2013 period would be about $1.7 billion.

Expanded Use of ESPCs for Energy-Efficient Vehicles In addition, section 604 would authorize the Secretary of Defense and the heads of other Federal agencies to use as many as 10 ESPCs for a pilot project involving non-building applications. According to officials at the Department of Defense, the Department would use this authority to improve the performance and fuel consumption of general-purpose vehicles and defense weapons systems, such as ships, armored vehicles, and combat aircraft. The pilot program would authorize payments of up to $100 million under these contracts, or a total of $1 billion for such contracts. CBO estimates that, given the large inventory of equipment available for such contracts, the full amount of this authority would be used over the next five years. We estimate that Federal spending under this provision would total $30 million in 2004 and about $1 billion over the next 10 years.

Standby Power Devices Section 621 would direct the Secretary of Energy to prescribe energy conservation standards restricting standby mode energy consumption of household appliances. Standby mode, as defined in the bill, is the lowest amount of electric power used by a household appliance when not performing its active functions. According to industry sources and DOE, up to 9,000 types of household appliances could be affected by this provision, and further, many such products may require significant modification to meet the standard for energy consumption in standby mode. DOE could not say how they would implement this provision, and CBO cannot determine the products that would be affected. We therefore cannot estimate the cost to the industry of meeting such a requirement. If DOE applies standards to the majority of products potentially affected, costs to industry could be substantial.

Hearings

Office of the Architect of the Capitol On May 8, the Subcommittee on the Legislative Branch (Committee on Appropriations) held a hearing on the President's FY 2004 Budget Request. The hearing included testimony from Alan Hantman, Architect of the Capitol. The FY 2004 request includes $513.9 million, a $57.1 million increase over FY 2003. The request includes the following activities:

- Final Increment of the West Refrigeration Plant Expansion Project - $40.8 million (out of a total of $81.8 million) to meet summer cooling needs of the Capitol complex; project to include new chillers and associated equipment (e.g., heat exchangers, cooling towers, pumps, piping and controls).

- U.S. Capitol Master Plan Phase II - $26.5 million to support initial design of the master plan; plan to address upgrades to infrastructure/support systems of HVAC, lighting, system integration, plumbing, etc.

- Library of Congress (LOC) - $12.602 million to perform studies, designs, and condition assessment to improve project planning and programs; specific projects to include a new LOC new warehouse facility at Fort Meade, new off-site LOC storage facility, design steam-to-steam humidification upgrades at LOC facilities, installation of digital controls on the Capitol Power Plant Boiler, among many other projects.

- Hart Senate Office Building - $4.715 million to install new "Clean Steam" chemical-free humidification equipment.

- Capitol Complex Master Plan - $4.2 million to prepare a new plan (current plan is 22 years old) and conduct a comprehensive Facilities Conditions Assessment (to include examination of new technology opportunities).

Hydrogen Fuel Cells On May 7, 2003, the Subcommittee on Science, Technology, and Space (Committee on Commerce, Science, and Transportation), chaired by Senator Sam Brownback (R/KS),

heard testimony on the future of the hydrogen fuel cell and its expected benefits from John Marburger, Director, Office of Science and Technology Policy; David Garman, Assistant Secretary, Energy Efficient and Renewable Energy; David Friedman, Union of Concerned Scientists; Byron McCormick, General Motors Corporation; and Francis Preli, UTC Fuel Cells. All echoed Mr. Marburger's claim that the "ultimate goal is a petroleum-free, emission-free energy future." Mr. Garman elaborated by stating that "… for true efficiency gains, we must reach to develop a wholly new approach to energy." In addition, he told the committee that, "the physical nature of hydrogen makes it difficult to store without a lot of weight and bulk. …I probably worry most about storage than any of the others. We're going to need a technology breakthrough" to store hydrogen. The Administration's proposal includes development of technologies to support a hydrogen-refueling infrastructure and hydrogen-powered vehicles and would task the private sector with building a fuel cell infrastructure. According to Mr. McCormick, "Such an infrastructure, by its very nature, would provide an evolutionary shift of personal transportation from petroleum to a mix of energy sources including renewables. The development of this technology will create new, more environmentally compatible distributed electric power generation possibilities." Over the next five years, DOE will spend approximately $1.7 billion on the FreedomCAR partnership and Hydrogen Fuel Initiative.

FY 2004 Agriculture Appropriations On May 8, Secretary of Agriculture Ann Veneman, testified before the Subcommittee on Agriculture (Committee on Appropriations) on the President's FY 2004 Budget Request for her agency. The request includes unspecified funding to support research to develop commercially feasible renewable energy and biobased products. At the hearing, Senator Tom Harkin (R/IA) criticized funding cuts for a program that provides grants to farmers and small businesses for buying renewable energy systems and making energy efficiency improvements, and for making the program discretionary rather than mandatory.

Legislation

Refer to section IV. New Legislation

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III. NEW LEGISLATION

(Note: Once a new bill is introduced, the Government Printing Office generally requires from several days to one week to make the bill available in print)

See detailed provisions for all bills at: thomas.loc.gov

HOUSE

Number	Short title	Date	Sponsor	Status
H. R. 1773	*George E. Brown, Jr. and Robert S. Walker Hydrogen Future Act of 2003*	April 11	Sherwood Boehlert (R/NY)	Referred to Committee on Science

Amends *Spark M. Matsunaga Hydrogen Research, Development, and Demonstration Act of 1990*.

DOE shall conduct a research, development, demonstration, and commercial application program designed to accelerate use of hydrogen and related technologies in stationary and transportation applications. Program goals shall enable auto industry decision by 2015, to offer affordable and technically viable hydrogen fuel cell vehicles in mass consumer market; enable production and delivery to consumers of MY 2020 hydrogen fuel cell vehicles that will have at least a 300 mile range; safety and performance comparable to vehicle technologies in the market; and other fuel economy standards and safety measures.

Grants and funding provided by DOE shall require commitment from non-Federal sources of at least 20% of cost of an R&D project; and 50% of demonstration project cost.

FreedomCAR program shall address engine and emission control systems; energy storage, electric propulsion, and hybrid systems; automotive materials; clean fuels in addition to hydrogen; and other advanced vehicle technologies.

Demonstrations involving hydrogen shall be conducted and plan shall be consistent with the *National Hydrogen Energy Roadmap*, published by the Department in October of 2002.

DOE may conduct a program to transfer technology to private sector.

Within 120 days of enactment, President shall establish interagency task force, to include a DOE representative

Hydrogen Technical and Fuel Cell Advisory Committee shall be established to advise DOE on programs and activities.

Authorizes the following funds:

$273,500,000 for FY 2004;
$325,000,000 for FY 2005;

Number	Short title	Date	Sponsor	Status
	$375,000,000 for FY 2006; $400,000,000 for FY 2007; and $425,000,000 for fiscal year 2008. Repeals the *Hydrogen Future Act of 1996*.			
H.R. 1942	No Short Title	May 1	Collin Peterson (D/MN)	Referred to the Committees on Ways and Means and Agriculture
	Amends *Internal Revenue Code of 1986,* to provide tax incentives for use of biodiesel as a fuel. Biodiesel mixture rate is 1 cent for each whole percentage point (not exceeding 20 percentage points) of biodiesel in the mixture. Qualified biodiesel mixture is a mixture of diesel and biodiesel, which is sold by taxpayer producing such mixture to any person for use as fuel, or is used as fuel by the taxpayer producing such mixture.			

SENATE

No new bills of interest to report.

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IV. ADMINISTRATION INITIATIVES

No news of interest to report.

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V. HEARINGS SCHEDULE

HOUSE – *COMMITTEE ON APPROPRIATIONS*

No new hearings, mark ups, or votes of interest.

HOUSE – *AUTHORIZATIONS/OVERSIGHT*

No new hearings, mark ups, or votes of interest.

CONFERENCE COMMITTEE NEGOTIATIONS/FLOOR VOTES

No new activities of interest have been scheduled.

SENATE – *COMMITTEE ON APPROPRIATIONS*

Date/Committee	Chair	Hearing Title/Issues	Witnesses	Time/ Location
May 15 **–** Subcommittee on Agriculture (Committee on Appropriations) ***(NEW)***	Robert Bennett (R/UT)	***Hearing*** **–** FY 2004 Budget Request for the Department of Agriculture (Includes discussion of a proposal to eliminate the Value-added Development Grants Program that provides loans and loan guarantees for renewable energy and energy efficiency improvements)	Keith Collins, Agriculture Department; Tom Dorr, USDA Undersecretary for Rural Development; J.B. Penn, USDA Undersecretary for Farm and Foreign Agricultural Services; Mark Rey, USDA Undersecretary for Natural Resources and Environment; and Joseph Jen, USDA Undersecretary for Research, Education, and Economics	9:30 a.m. Room 124 Dirksen Office Building

SENATE – *AUTHORIZATIONS/OVERSIGHT*

Date/Committee	Chair	Hearing Title/Issues	Witnesses	Time/ Location
May 14 **–** Committee on Agriculture ***(NEW)***	Thad Cochran (R/MS)	***Hearing*** **–** Examine Department of Agriculture's implementation of the 2002 Farm Bill (Includes discussion of the Value-added Development Grants Program that provides loans and loan guarantees for renewable energy and energy efficiency improvements)	Ann Veneman, Secretary of Agriculture	2 p.m. Room 328A Russell Office Building

CONFERENCE COMMITTEE NEGOTIATIONS/FLOOR VOTES

Date	Activity and Issue(s)
TBD	***Senate Debate and Vote:*** S. 14 – Energy Policy Act of 2003

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